

Crowley, Susan [LEGIS]

From: Rpwtxbustr@aol.com
Sent: Monday, November 19, 2007 9:31 AM
To: Crowley, Susan [LEGIS]
Subject: [MAYBE SPAM] A Comprehensive Property Tax Reform Proposal
Attachments: A COMPREHENSIVE TAX REFORM PROPOSAL FOR IOWA.doc

Honorable Co-Chairs and Members of the Legislative Property Tax Study Committee:

After many years of study and the availability since 2002 of complete files of property appraisals for each of Polk County's taxing jurisdictions I have developed and submit the attached proposal for comprehensive property tax reform legislation.

It is also possible for others to conduct random sampling of appraisals by other city and county assessors to test the proposals. You have been given a difficult and time consuming task but I believe you have an opportunity to propose reasonable and equitable legislation for tax reform.

Sincerely
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see attachment

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11/19/2007

A COMPREHENSIVE TAX REFORM PROPOSAL FOR IOWA:

By Robert P. Willis

"Our legislators – are not yet persuaded that all taxes are finally paid by the land. ...therefore we have been forced into the mode of indirect taxes, i.e., duties on importation of goods." Benjamin Franklin, 1787 letter to Alexander Small. Physiocratic – "The Political Economy of Benjamin Franklin" by Edward J. Dobson

Iowa sticks its families, businesses and farmers with \$7.6 billion in state and local taxes (Iowa Dep't of Revenue 2005 Annual Report). Property tax on buildings at \$30 to \$45 per \$1,000 of value, sales tax at \$60 to \$70 per \$1,000 plus income taxes and user charges are 'takings' of wealth from families and firms. The burden of 'indirect taxes' periodically pushes firms and families into bankruptcy, land values collapse and recessions set in.

The \$8.8* billion in aggregate rent Iowans pay for access to productive sites (land) is an economic surplus government can collect for public revenues instead of deadbeat taxes at less cost to most firms and families. Iowa governments now collect less than \$1.5 billion of \$8.8* billion land rent. Families, firms and farms will prosper and land values will stabilize with less 'takings' from wages and profits, more from rent. (*Rent = 0.05 X (0.6 X 100% urban values + 2 X 100% rural values) from IA Dept. Revenue 2005 property valuation report.)

2008 PROPOSED LEGISLATION

I Require annual and uniform assessment of property:

Purpose: lawful and equitable appraisal of property for tax purposes.

Iowa Constitution Article 1 Sec. 6. "All laws of a general nature shall have a uniform operation;"

See 2007 IA Code: 441.21 ACTUAL, ASSESSED AND TAXABLE VALUES

1. a, "All property subject to taxation shall be valued at its actual value"
1. b. The actual value ---shall be the fair and reasonable----- Market value --- defined as the fair and reasonable exchange in the year in which the property is listed and valued between a willing buyer and a willing seller.

Explanation: Parcels of land occupied by structures are bought and sold as unitary items and must be appraised as of January 1 each year as unitary items according to sale prices of like parcels. It is arbitrary and capricious for an assessor to appraise land value as the residual of a parcels market value less an estimated capital value of structures based on replacement cost or depreciated value as if the structure were actually removed from the site. Structures are stripped of capital value by removal from a site otherwise their capital value is mingled with the unitary value. However unrelenting global demand for vacant and improved sites by firms and families creates a measurable site value. Consequently land values are appraised scientifically according to a parcel's location on up-to-date topographic style land maps of sale prices per acre of vacant sites, sites on verge of demolition or from capitalization of known site rents. Building values are uniformly and lawfully appraised only as the residual of full unitary value of each parcel minus its land value.

Results: The above method of assessment will add to Polk County's commercial and industrial tax base by raising taxable values of 7,627 acres of low use C&I land. Beyond that the increase in value of the 16,519 acres of under-developed C&I land will cause a net increase in unitary taxable value for least developed parcels and lower the taxable value of improvements with no increase in unitary taxable value for the remainder of the sites. In addition vacant and low use residential class parcels will increase in taxable values.

Polk County 2007 Commercial and Industrial Class Property Valuations (1,000's)

Land Use	land_adj	bldg_adj	total_adj	parcels	acres
Low	\$1,629,490	\$4,753,478	\$6,382,969	6,289	16,519
Best	\$ 293,229	\$1,282,766	\$1,575,996	1,269	947
Vacant	\$ 403,425	\$ 64,508	\$ 467,933	3,244	7,627
No area	\$ 0	\$ 88,017	\$ 88,017	412	168
Exempt	\$ 24,289	\$ 123,330	\$ 147,619	1,590	5,904
Total	\$2,350,434	\$6,312,100	\$8,662,534	12,804	31,165

Cap structure assessment rolls in cities and rolls of all agricultural, railroad and utility structure assessments at 1/1/07 values.

Purpose: (1) Increase tax bases. (2) Encourage growth and development.

The cap allows growth in land assessments but exempts new construction from tax. It also ends all rises in appraised value of older structures. The rise in taxable value of land from uniform assessment and 5% capitalization* of savings from tax free construction will replace exempted structure values.

Calculated rise in values of 25 contiguous parcels, 21.55 acres in Des Moines.

Land use	total taxable	net rise		parcels	acres
Vacant	\$1,194,646	\$738,324	162%	10	9.0
Improved	\$4,088,874	0	0%	15	12.6
Total	\$5,284,520	\$738,324	16%	25	21.6

(Calculated average taxable value of land rises from \$39,643/A to \$186,871/A)

*(See 'Tax Capitalization' in 'Criteria for Good Proposals for Property Tax Reform', Dr. Thomas Pogue, University of Iowa, handout Property Taxation Review Committee, Sept. 1 2004)

The higher tax on land from a general rise in taxable land values will spur owners of low earning parcels to build or sell to builders at affordable prices. Tax free buildings and affordable land will attract investment to build farm, residential, commercial, industrial, railroad and utility structures. Iowa grew before and after 1846 by taxing land when there was very little in improvements to tax.

In 1921 New York City used a local option to exempt until 1931 \$1,000 per room of new construction value but not land value from property tax on housing. NYC middle class housing floor space grew twenty-six fold in the first two years and the growth apparently continued into the early years of the depression. After the 1906 earthquake and fire San Francisco rebuilt its infrastructure and its private sector in ten years while gaining population at a 22% rate without relying on state or federal aid, taxing new construction or expanding its land base all by taxing land. Dr. Mason Gaffney, Riverside CA

Repeal rollback tie between residential class property and agricultural

“441.21. 4. For valuations established as of January 1, 1979, the percentage of actual value at which agricultural and residential property shall be assessed....0.....”

Require all county and city assessors to provide full public access to spreadsheet files of current property assessments within their jurisdiction.

Example: Polk County Assessor website which provides easy access to all site and building valuations by neighborhood and jurisdiction.

Rewrite 2007 IA Code 441.21.4 to tax all classes of land at 100% and lower structure values to stay within limits to growth in statewide valuations.

Purpose: (1) increase taxable value of land (2) lower taxable value of structures

This reform raises the taxable percent of residential class land to 100% from 45.56% and lowers that of dwellings to 33.74% from 45.56%. By itself this reform increases by 2.1% the current \$9.9 billion aggregate taxable value of all property for four of the larger taxing jurisdictions in Polk County without increasing taxes for occupants of 81,971 or 67% of 123,227 residential and commercial housing units.

Cities pay city utility infrastructure costs with property levies

Purpose: (1) lower firm and family occupation charges (2) spur development.

Shift funding of city water, sewer, storm sewer, sewage treatment, and waste disposal infrastructure (not usage or consumption charges) from user charges to city property levies. A uniform credit for each water bill shifts infrastructure charges from building occupants to property taxes. Since well designed and well built infrastructures contribute to land values, sites that benefit most from fully functional infrastructure will appreciate most in value and pay more for the service. Infrastructure pays its own capital cost when funded with property tax.

Cut sales and income taxes: replace lost funds with property levies

Purpose: (1) cut firm and family tax burden (2) spur economic growth.

Each cut in sales tax and corporate income tax rates and each rise in individual state income personal exemption credits (and city water bill credits) reduces the tax burden on families and business. As we saw in the recent ‘pumpkin tax’ crises the sales tax falls not on consumers but on pumpkin patch owners. In the 1930’s subsistence farmers of southern Iowa exchanged cream, eggs and other produce at the local store for flour, sugar, oatmeal, etc. and for warm winter clothing and overshoes. After passage of the 1934 property tax relief the local store began losing 2 cents out of every dollar and the farmers had not one more dime to spend. Income taxes also cost businesses in much the same way. Since the added tax burden on land is not shifted* all renters and most firms and families will pay less tax and owners of idle land will have a financial cause and opportunity to intensify economic use of land.

*(See Tax Incidence in ‘Criteria for Good Proposals for Property Tax Reform’, Dr. Thomas Pogue)

Ending bad taxes will spur renewal of cities, farms, railroads and utilities

Families fare better when property tax is used for collection of public revenues according to U. S. Census reports of personal income per capita by state. For example, average 2004 personal income of top ten U. S. states ranked by income per capita was 1.46 times that of the bottom ten, property tax per capita 2.16 times that of the bottom ten and income and sales tax per capita 1.27 times bottom ten.

Iowa can rise to the top of all states in personal income by replacing deadweight taxes with collection of rent from land, water and mineral resources. Public takings of rent limit land speculation by capitalizing to lower prices for building sites. Tax cuts on wages, tax free buildings and fair prices for land will increase entrepreneurial opportunities and earnings for families, farms, factories and firms, build homes, create jobs and raise the quality of life for all families and children of Iowa.

Nov. 16, 2007
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